Weekly Economic Review

Home sales rebound in December

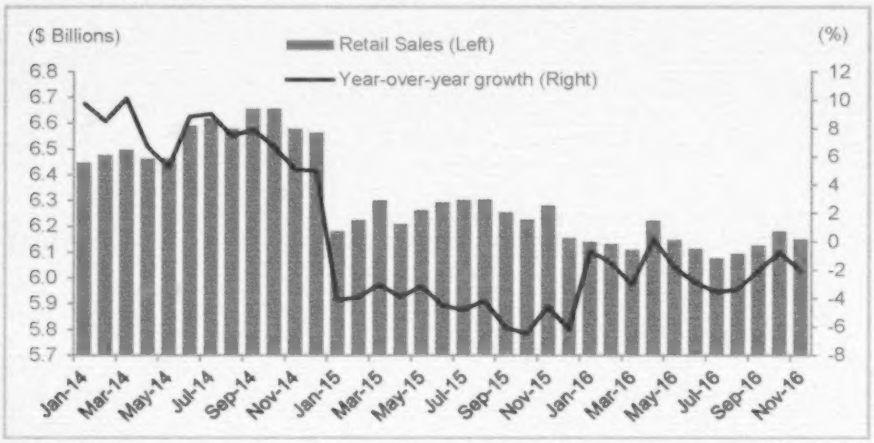
Existing Home Sales

Sales reverse previous decline

Existing home sales ended 2016 on a stronger note as sales activity rebounded in December. Home sales grew by 17.4% month-over-month (m/m) to 4,707 units, reversing most of the decline in November. Higher sales and fewer listings pushed Alberta's sales-to-new listing ratio to 55.1, the highest level since July 2015, and propped up average resale prices to $402,234 (+1.1% m/m). While resale activity improved across the province, the increase was most pronounced in Calgary, where sales surged 19.1% m/m. This helped bring Calgary's market back to seller's territory and propelled resale prices to a new record high of $482,863. Nationally, home sales also rose (+2.2% m/m) led by higher activity in Alberta and Saskatchewan.

Chart 1: Retail sales remain sluggish

Year-over-year growth and value of Alberta retail sales



Source: Statistics Canada

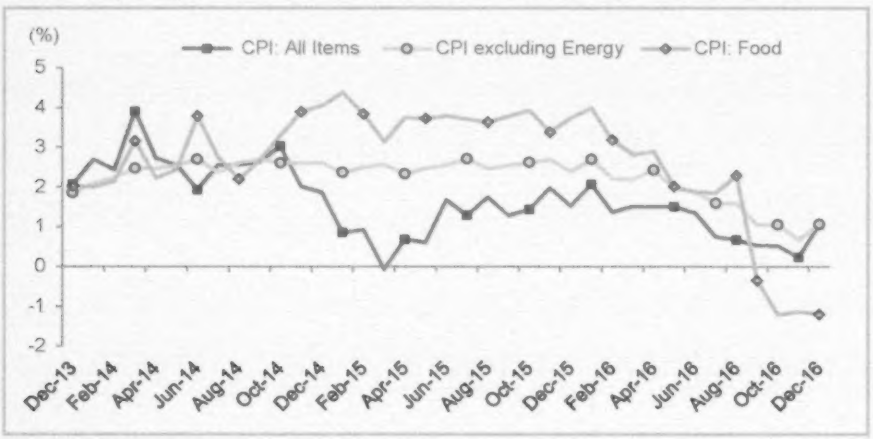
Retail Sales

Consumer spending remains weak

Retail sales retreated in November following three consecutive monthly increases. Alberta's retail sales fell by 0.5% m/m to $6.2 billion (Chart 1). Year-to-date (YTD), retail sales have remained weak (-1.9%) dragged down by weaker sales of gasoline and durable goods. The year-over-year (y/y) decline in sales of durable goods started to ease in November, largely driven by higher sales of motor vehicles and parts (+0.4% y/y) and building materials and garden supplies (+2.7% y/y).

Chart 2: Energy no longer a drag on inflation

Year-over-year growth in Alberta consumer price index



Source: Statistics Canada

Consumer Price Index

Inflation ticks up

Inflation in Alberta accelerated in December after recording its slowest pace in nearly two years in the previous month. The consumer price index (CPI) rose 1.0% y/y, up from an increase of 0.2% y/y in November. The uptick comes as energy prices, which has been a drag on inflation over the last two years, increased year-over-year for the first time since October 2014 (+1.5% y/y). This has led to higher gasoline prices (+7.9% y/y) which fueled an increase in transportation costs (+3.4% y/y) (Chart 2). Inflation was restrained by lower food prices (-1.2% y/y). Overall in 2016, consumer inflation rate remained subdued at 1.1%

mainly due to lower prices for non-durable goods (-1.1%) and the deceleration of service inflation (+1.5%). Meanwhile, despite weaker spending in 2016, prices of durable goods rose at the fastest pace since the late 1980s (+3.7%), largely reflecting a weaker dollar.

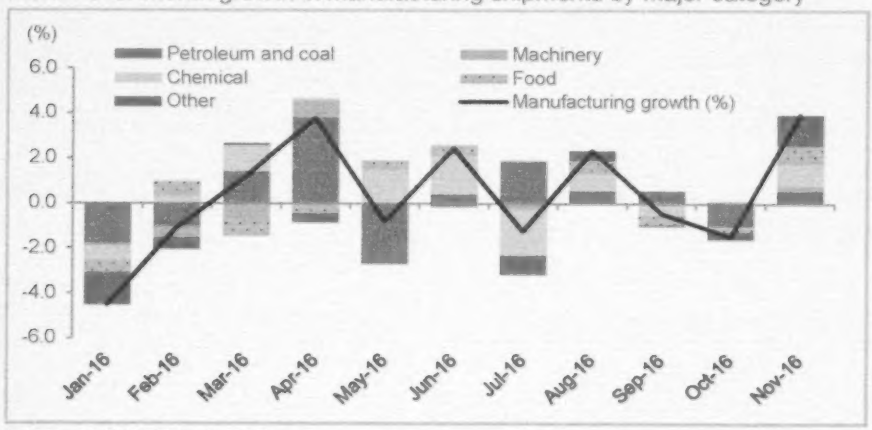
Employment Insurance

EI claims remain elevated

The number of Employment Insurance (EI) claims fell modestly in November but remained at a high level. The number of EI claims fell 3.3% m/m to 30,330, 2.1% lower than a year ago. Despite the decline, the number of EI claims remains well above the historical average of 18,500. Nearly half of the EI claims received since July have been renewal claims which increased primarily due to the EI extension program. This has kept the number of Albertans receiving regular EI benefits (96,890) near an all-time high set in July 2016.

Chart 3: Broad-based gains drive rebound in shipments

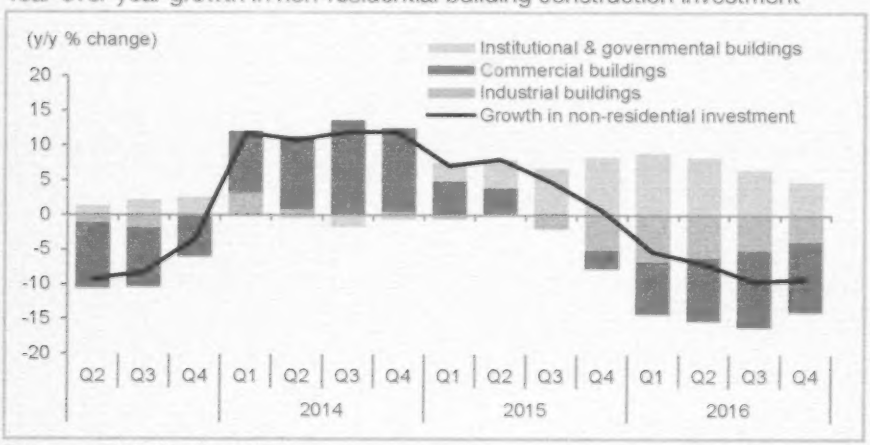
Month-over-month growth in manufacturing shipments by major category



Source: Statistics Canada

Chart 4: Non-residential investment continues to weaken

Year-over-year growth in non-residential building construction investment



Source: Statistics Canada

Manufacturing Shipments

Shipments rebound in November

Manufacturing shipments picked up in November and grew year-over-year for the first time since December 2014. After two consecutive monthly declines, the value of manufacturing shipments increased by 3.9% m/m to $5.4 billion in November, reflecting broad-based gains in all major categories including the three biggest sectors: chemical (+4.7% m/m), food (+3.8% m/m) and petroleum and coal products (+2.6% m/m) (Chart 3). On year-over-year basis, shipments were up slightly from last year (+0.7% y/y) led by sustained gains in chemical products (+18.2% y/y). Year-to-date, shipments were down 9.9% due to weakness earlier in 2016.

Non-Residential Investment

Non-residential investment hits three-year low

Investment in Alberta's non-residential building construction continued to weaken in the fourth quarter of 2016, reaching its lowest level in three years. Non-residential investment tumbled for the seventh consecutive quarter to $2.5 billion. Compared with the previous year, non-residential investment was down 9.1% as sharp declines in both industrial (-33% y/y) and commercial structures (-15% y/y) outweighed higher institutional and governmental investment (+22% y/y) (Chart 4). On a regional basis, investment in Calgary fell for the third consecutive quarter (-14% y/y) while Edmonton's investment was roughly unchanged (+0.4% y/y).

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.